

MONTEX APPAREL INDUSTRIES LIMITED



ANNUAL REPORT *for the year ended 31st December 1968*

To The Shareholders

From the attached statements, it can be seen that the year 1968 was a period of transition and consolidation. In July, 1968, pursuant to authorization of the shareholders given at last year's annual meeting, the Company sold its Quebec subsidiaries. Economy measures instituted during the course of the year have reversed the large operating losses incurred in the years 1966 and 1967. The combined loss for the two years 1966 and 1967 amounted to well in excess of one million dollars, whereas operating profit for 1968 amounted to \$30,747.

As part of our study of all Company operations, with the co-operation of our auditors, we have made a careful examination of the Company's assets and their bases of valuation. As a result of this examination, we have in a number of cases reduced the value of our assets. We have taken this step because we feel an accurate presentation of our financial situation is requisite to securing information on which we can plan the future profit growth of our Company. Regrettably, this examination by ourselves and our auditors delayed presentation of this financial information to you, however, we feel the value in terms of more informative financial information which will result in future periods, is a worthy justification for this delay.

Although our performance for the year is a great improvement over the past, our attention and planning has been and is directed towards projecting our Company into a new phase of increased profitability. We have been making major efforts to revitalize our Company both in the reorganization of people and resources, and have many programs in various stages of completion towards this end. We have recently sub-let part of our Ronson Drive premises and are negotiating for the sub-lease of the balance.

We have put together a young and aggressive management team and are building to ensure the Company's future. All of us, of course, are impatient to achieve our

goal of increased profitability. However, it would be foolish to believe we can achieve all our goals overnight. I believe rather that our Company will move towards its profit goal by gradual and progressive steps.

This is to some extent borne out by the results of our first quarter of 1969 in which a loss of \$90,000 was incurred on sales of approximately \$1,700,000 as compared to first quarter sales in 1968 of approximately \$1,800,000. This year's loss was not unexpected as our Company traditionally incurs losses in this period. This loss was in part caused by the move of our subsidiary, Unique Crests and Athletic Supplies Limited, to new premises. The losses arising from the shutdown of facilities were necessary in order to properly organize this company for future expansion and efficient operations. I believe that we are taking the proper and necessary steps to build towards the future, but the full benefits of programs presently being instituted may not be fully realized in the current year.

I would like to express my own word of thanks to our hard-working and loyal staff of employees without whose co-operation, the attainments of the past year would not have been possible.

On behalf of the Board,

Nathan Lieberman,
President.

Consolidated Balance Sheet

ASSETS

CURRENT ASSETS

Cash	\$ 111,714	
Accounts receivable	1,627,281	
Land and building for sale (Note 2)	119,933	
Inventories (Note 3a)	2,460,144	
Prepaid expenses	<u>28,213</u>	\$4,347,285

FIXED ASSETS, at cost

Land	36,964	
Buildings	766,690	
Machinery, equipment and leasehold improvements	<u>3,692,631</u>	
	4,496,285	
Less accumulated depreciation and amortization	<u>2,970,698</u>	1,525,587

DEFERRED CHARGES

Bond issue expense, less amortization	35,073	
Deferred pension contribution	18,476	
Leased equipment, installation costs, less amortization	<u>16,200</u>	69,749

\$5,942,621

Approved by the Board

N. LIEBERMAN, Director

A. BASEN, Director

as at December 31, 1968

LIABILITIES

CURRENT LIABILITIES

Bank advances, against which accounts receivable and inventories have been pledged	\$2,013,347	
Accounts payable and accrued liabilities	663,067	
Income and other taxes payable	78,123	
Current portion of long term debt	<u>585,000</u>	\$3,339,537

LONG TERM DEBT

First mortgage sinking fund bond (Note 4)	2,465,000	
6% Notes due \$10,000 semi-annually to 1971	<u>60,000</u>	
	2,525,000	
Less principal instalments included in current liabilities	<u>585,000</u>	1,940,000

SHAREHOLDERS' EQUITY

CAPITAL STOCK (Note 5)

Authorized

126,883 5½% Cumulative, convertible first preference shares,
par value \$8, redeemable at \$8.40 per share

2,028,801 Common shares without par value

Issued

126,883 Preference shares 1,015,064 | |

1,167,915 Common shares 2,818,710 | |

3,833,774

DEFICIT	<u>3,170,690</u>	663,084
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\$5,942,621

Auditors' Report

To the Shareholders of
Montex Apparel Industries Limited

We have examined the consolidated balance sheet of Montex Apparel Industries Limited and subsidiary companies as at December 31, 1968 and the consolidated statements of income and deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Because we were not the auditors in the previous year and because of uncertainty as to the values attributed at

December 31, 1967, to certain assets we are not in a position to express an opinion on the accompanying consolidated statements of income and deficit and source and application of funds for the year ended December 31, 1968.

In our opinion the accompanying consolidated balance sheet presents fairly the financial position of the companies as at December 31, 1968 in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the changes in accounting practice set out in note 3, with which we concur.

Toronto, Canada,
May 16, 1969

Thorne, Gunn, Helliwell & Christenson
Chartered Accountants

MONTEX APPAREL INDUSTRIES LIMITED
and subsidiary companies

Consolidated Statement of Income and Deficit
for the year ended December 31, 1968

Sales		\$7,718,912
Costs and operating expenses before items shown below	\$7,339,632	
Depreciation and amortization of fixed assets (Note 3b)	154,258	
Interest on long term debt and amortization of bond issue expense	194,275	7,688,165
Income from operations before special charges		30,747
Special charges		
Loss on sale of Quebec subsidiaries (Note 1)	1,941,114	
Revaluation of inventories (Note 3a)	333,462	
Deferred charges and other assets written off (Note 3c)	361,100	
Accounts receivable at beginning of year written off	96,839	
Settlement of prior years' suppliers' claims	48,544	2,781,059
Loss for year and special charges		2,750,312
Deficit at beginning of year		420,378
Deficit at end of year		<u>\$3,170,690</u>

MONTEX APPAREL INDUSTRIES LIMITED
and subsidiary companies

Consolidated Statement of Source and Application of Funds
for the year ended December 31, 1968

Source of funds			
Operations			
Income from operations before special charges	\$	30,747	
Items not involving a current outlay of funds			
Depreciation and amortization of fixed assets	\$154,258		
Amortization of deferred charges	6,550	160,808	\$ 191,555
Sale of Quebec subsidiaries (less \$23,347 costs applicable thereto)			1,176,653
Land and buliding held for sale			119,933
Mortgages receivable			17,737
Special refundable tax			4,458
			<u>1,510,336</u>
Application of funds			
Revaluation of inventories (Note 3a)		333,462	
Accounts receivable at beginning of year written off		96,839	
Settlement of prior year's suppliers' claims		48,544	
Additions to fixed assets, net		37,945	
Decrease in non-current portion of long term debt			
First mortgage bonds		700,000	
6% notes payable		20,000	
5% notes payable		365,000	
Other applications		20,112	1,621,902
Decrease in working capital			111,566
Working capital at beginning of year*			1,119,314
Working capital at end of year			<u>\$1,007,748</u>

*After eliminating working capital of Quebec subsidiaries sold effective January 1, 1968.

DIRECTORS: A. Basen
W. A. Corbett
G. F. Garfield
F. Levasseur
N. Lieberman
D. A. McIntosh, Q.C.
D. N. Mendels
A. E. Saunders
G. W. Thornes


OFFICERS: N. Lieberman, President and
Chief Executive Officer
A. Basen, Executive Vice-President and Treasurer
W. A. Corbett, Secretary
A. D. Freeman, C.A., Vice-President - Finance
L. VanBuskirk, Assistant Treasurer

TRANSFER AGENTS: Common: The Royal Trust Company,
Toronto and Montreal
Preference: Canada Permanent Trust Company,
Toronto and Montreal

LEGAL COUNSEL: Fraser & Beatty

AUDITORS: Thorne, Gunn, Helliwell and Christenson

STOCK EXCHANGE: The Toronto Stock Exchange



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1968 ANNUAL REPORT